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USAID, DIA, STATE reviews completed

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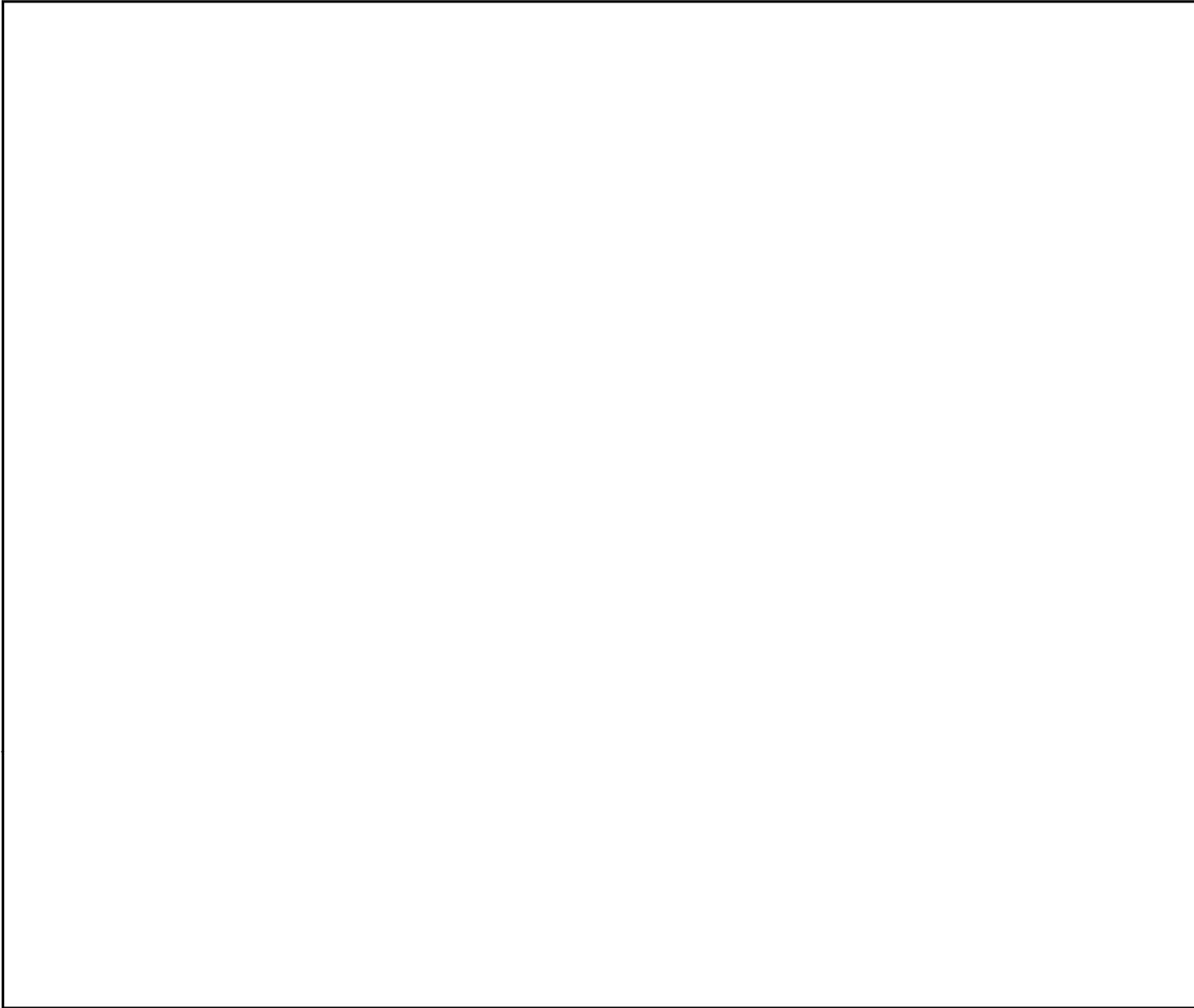
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NEAR EAST

2. Iranian Communists increase activity among workmen:

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The Iranian labor situation has deteriorated sharply in the last two weeks, and Tudeh has increased its activity among the workers, according

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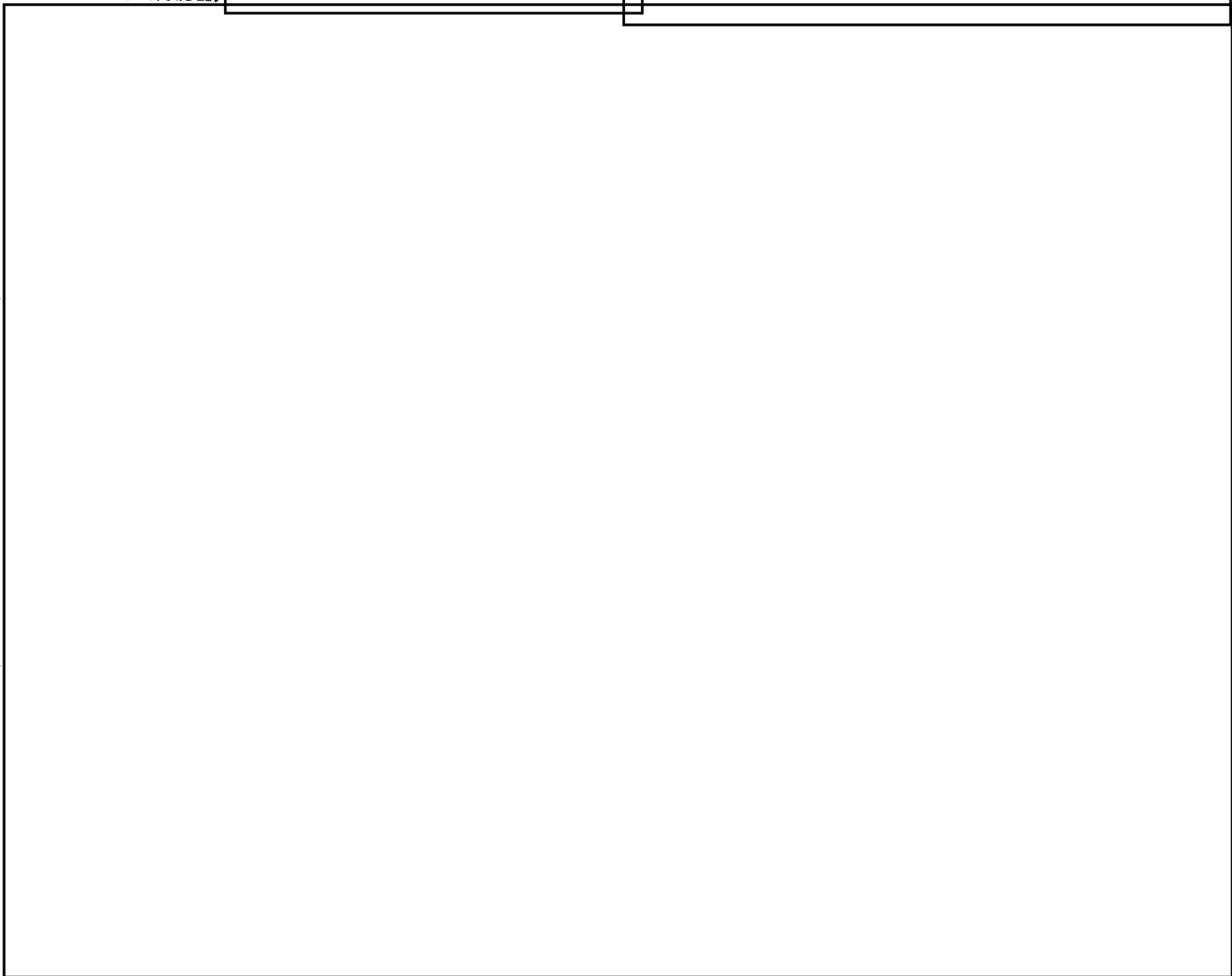
to the US Embassy in Tehran. The US Army Attache asserts that the most potentially explosive labor situation is at the idle Abadan refinery, where Tudeh organizers are reportedly active.

Comment: The projected limited operations at the Abadan refinery make that plant a prime target for Communist penetration.

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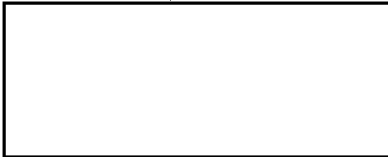


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WESTERN EUROPE

4. French economic crisis mounts:

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The ECA Mission in Paris reports that the French Government is showing increasing pessimism in making the basic decisions necessary for its 1952 budget and for NATO's current

survey of national capabilities, and is considering a fifty percent reduction in dollar imports for its current fiscal year.

The Mission believes that the French economic and financial crisis is now reaching its peak and that the contemplated import cuts would have "extremely serious consequences" for the economy and re-armament.

Comment: The French had been counting heavily in recent months on large imports of US coal, cotton, oil, and equipment. A sharp curtailment of this program would be a blow not only to production but also to the basic French policy of stemming the inflation by increasing imports.

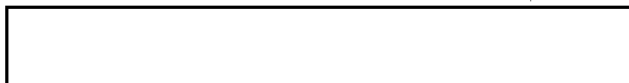
France's growing economic difficulties can be expected to jeopardize its present position in Indochina, its willingness to accept a maximum German contribution to European defense, and its resistance to Soviet Orbit demands for strategic commodities in exchange for vitally needed imports.

25X1A 5. French Communists suffer serious setback in key industry:

The "de-communization" of labor in the Paris metallurgical industry is being successfully pursued by the employers' association and the non-

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Communist unions. Employers have firmly resisted unity-of-action committee demands, and the failure of wage negotiations in the metallurgical industry has given the Socialist-oriented union an excuse to withdraw from the unity-of-action committee. This union now plans a non-Communist association of Paris-region metal industry unions.

Comment: The Communists have carefully nursed local unity-of-action committees since last spring in the hope of gaining complete control of French labor by working from the bottom up. Failure in the key Paris metal industry is a serious blow to their plans. This may be the turning point leading to an end of dominant Communist influence in critical sectors of French labor, particularly if the French Government successfully promotes a national economic conference excluding the Communist-controlled union.

6. Soviet representatives in Vienna show concern over US strategy:

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[REDACTED] According to Austrian Foreign Minister Gruber, a conversation on 31 October between high Austrian officials and two Soviet political advisers revolved around the theme of Soviet concern for US strategic defense plans throughout the world. The Soviet representatives said they were prepared to make concessions to stop this US "aggression," and remarked that in view of Churchill's return to power, a four-power conference could be held from which favorable results might be expected.

Gruber found the Soviet representatives to be "sensitive" and "on the defensive" on the subject of an Austrian state treaty. They attempted to connect the treaty question with alleged remilitarization in the Western zones of Austria, the refusal of the West to consent to an investigating commission, and with the stationing of British and US troops in Trieste. Gruber feels that the Soviet representatives will employ these same objections in a new meeting of the Austrian treaty deputies.

Comment: Soviet officials in Western Europe have recently alleged that the USSR would make concessions to obtain a change in US strategy. In early 1951 prior to the unsuccessful Deputy Foreign Ministers' Conference, there was a series of similar reports that the USSR would make concessions to stop German rearmament. In the last series of

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[REDACTED]

Austrian treaty talks, the USSR used the Trieste issue as a means of blocking agreement. In recent weeks the repeated Soviet charges of remilitarization in western Austria have appeared to be laying the foundation for further objections to an end of the Austrian occupation.

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8. No drastic change in British policy toward Spain expected:

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The new British Government will not make any major changes in Spanish policy, according to tentative information given the US Embassy in London by the Foreign Office. British opposition to Spanish membership in NATO and to US military aid to Spain and disapproval of Spanish domestic policies are expected to continue under the Conservative regime.

Although the Foreign Office anticipates the gradual elimination of certain discriminatory practices of the former Labor government, the Conservatives first desire evidence of a more friendly Spanish attitude toward the British.

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Comment: Speculation that the Conservatives would reverse the Labor government's Spanish policy has not been borne out. The Conservatives had previously objected to US military aid to Spain, fearing that such an agreement might cut the flow of arms to NATO countries.

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